



STATE OF WISCONSIN

## Department of Employee Trust Funds

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### PROGRESS REPORT

#### Office of Private Employer Health Care Coverage (PEHCCP)

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#### Governor Signs Budget, Makes Partial Vetoes to PEHCCP

On August 30, Governor McCallum signed the state budget for 2001-2003 into law. The Department of Employee Trust Funds made extensive efforts, after more than a year of research and study, to obtain the resources and statutory changes needed to make this program operational. The Office of Private Employer Health Care Coverage and Department of Trust Fund leaders worked closely with legislative leaders of both parties in both houses to incorporate into the budget both statutory changes and sufficient funding to maximize the Program's chances of success. All of the Office's recommendations were designed to align practices within the Program as closely as possible with those in the outside market while achieving the objectives of the Program's supporters.

#### What Passed:

- Funding of \$211,100 general purpose revenue in the first year of the biennium for salaries, fringe benefits and associated supplies and services for the current 2.5 full-time positions of the Private Employer Health Care Coverage Program. There is no funding for the second year (after June 30, 2002) since premium dollars were expected to be the source of ongoing funding, once the program was operational.
- The following program-specific statutory provisions:
  - Shifts health plan contracting responsibility from the administrator to ETF;
  - Authorizes ETF to subcontract both marketing and maintenance of a toll-free number through the administrator;
  - Authorizes ETF to promulgate rules for administration of the program, with PEHCCP Board approval;
  - Directs the PEHCCP Board to publish the new business premium rates for participating small employers each year;

- Specifies that an “eligible employee” is a person who works on a permanent basis more than 30 hours a week, including a sole proprietor, a business owner, owner of a farm business, a partner of a partnership and a member of a limited liability company;
  - Clarifies that an employer may offer coverage to part-time employees, *to the extent authorized by participating insurer(s)*;
  - Clarifies that employers must contribute a minimum of 50% of the lowest *single* coverage rate for that employee;
  - Clarifies that agents must be “listed” with each health plan offering coverage and authorizes the Board to establish additional agent training requirements; and
  - Charges ETF and the PEHCCP Board with determining the extent to which the program guarantees coverage beyond requirements of the outside market.
- The following market-wide statutory provision:
    - Subjects “occupation” to rate band limitations by moving occupation from case characteristics to risk characteristics (i.e. occupation is now subject to the 30% rate band limitation. Previously, Wisconsin law did not limit rate variation for this factor). This change applies to all small business health insurance rates.

### **Vetoed Provisions:**

- Tightening to 10% the rate band for health status, claims experience, duration of coverage and occupation. This provision would have restricted the ability of insurers to “rate up” premiums on the basis of the above factors from the current 86% swing (from lowest to highest, i.e. 30% off the midpoint), to a maximum swing of 22% from lowest to highest.
- Provision of a loan to the PEHCCP of \$850,000 from the State Life Insurance Fund to be repaid through a percent of premium charged to participating employers.
- Modification of the definition of “small employer” in the outside market to reference the definition of “eligible employee.”

### **Effect on the Program**

Implementation of this program cannot proceed without a source of funding to cover the costs of actuarial, legal, and marketing services. Indeed, it is highly unlikely that we could even attract a qualified bidder to handle the administrative functions of the program absent some assurance that funds are available to cover these startup costs. In addition, the added complexity of the 30% rate band makes achieving uniform and centralized underwriting procedures a complicated and extremely labor intensive task. Uniform underwriting standards are important if the program is to publish consistent rates and assure that the pool is not adversely selected against in the outside market.

### **Next Board Meeting**

The PEHCC Board will next meet at 11:30 a.m. on September 24, 2001, at 3319 West Beltline Highway in Madison. The agenda includes an overview of state budget provisions regarding the program, a review of funding strategies, and a discussion of future courses of action.

Minutes and other materials from PEHCC Board meetings are available from the Department’s web site under the site map button at <http://badger.state.wi.us/agencies/etf/> or may be requested from Gina Fischer, Board Coordinator, 608-266-1652 or [gina.fischer@etf.state.wi.us](mailto:gina.fischer@etf.state.wi.us).

